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REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

REPORT OF THE GLOBAL ENVIRONMENT FACILITY TO THE CONFERENCE

Note by the secretariat

1. The Conference of the Parties (COP), by its decision 12/CP.2 (FCCC/CP/1996/15/Add.1), adopted and thereby brought into force a Memorandum of Understanding (MOU) between the COP and the Council of the Global Environment Facility (GEF).[1] The MOU provides, *inter alia*, that annual reports of the GEF be made available to the COP through the secretariat.

2. In response to that provision, the GEF secretariat has submitted the attached report, which is reproduced without formal editing.

3. The MOU further provides that, in accordance with Article 11.1 of the Convention, the COP will, after each of its sessions, communicate to the GEF any policy guidance approved concerning the financial mechanism.

[1] FCCC/CP/1995/7/Add.1.

Annex

Global Environment Facility

September 28, 2000

REPORT OF THE GEF TO THE SIXTH SESSION OF THE CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

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I. Introduction

1. The *Memorandum of Understanding Between the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Council of the Global Environment Facility* [1] provides that the GEF will report to the Conference of the Parties on all GEF-financed activities carried out in implementing the Convention. In particular, paragraph 7 provides:

> In its reporting on GEF-financed activities under the financial mechanism, the GEF should include specific information on how it has applied the guidance and decisions of the COP in its work related to the Convention. This report should be of a substantive nature and incorporate the program of GEF activities in the areas covered by the Convention and an analysis of how the GEF, in its operations related to the Convention, has implemented the policies, program priorities, and eligibility criteria established by the COP. In particular, a synthesis of the different projects under implementation and a list of the projects approved by the Council in the climate change focal area as well as a financial report with an indication of the financial resources required for those projects should be included. The Council should also report on its monitoring and evaluation activities concerning projects in the climate change focal area.

2. This report has been prepared for the sixth session of the Conference of the Parties to the UN Framework Convention on Climate Change. It covers the period from July 1, 1999, to June 30, 2000 (GEF Fiscal Year 2000). This report describes GEF activities approved by the Council during the reporting period in the areas covered by the Convention and provides specific information on how the GEF has applied the guidance and decisions of the Conference of the Parties in its work related to the Convention. For easier reference, a list of reports previously provided by the GEF Council to the Conference of the Parties is included in the Annex A. These reports contain information on GEF activities in prior years.

3. The Parties' attention is also drawn to the following GEF publications which the GEF has made available to the sixth session of the Conference of the Parties to supplement the information contained in this report:

(a) *Global Environment Facility 1999 Annual Report* (available in English, French, and Spanish);

(b) *Operational Report on GEF Programs*, June 2000 (available in English)[2];

(c) *Project Performance Report 1999* (available in English, French, and Spanish);

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[1] See Decision 12/CP.2 (FCCC/CP/1996/15/Add.1), *Memorandum of Understanding between the Conference of the Parties and the Council of the Global Environment Facility* and Decision on Agenda Item 11, *Joint Summary of the Chairs of the GEF Council Meeting*, April/May 1997.

[2] This report provides a listing of projects approved in the climate change area as well as a financial report with an indication of the financial resources required for those projects.

(d) *Performance Indicators for GEF Climate Change Activities*;

(e) Assessment Reports Prepared under the Capacity Building Initiative;

(f) Review of Climate Change Enabling Activities; and

(g) *Report of the STAP Brainstorming on Power Sector Reform.*

II. Project Activities in the Climate Change Area

4. In the reporting period, the following GEF financing was allocated for project activities the climate change area:

Table 1: Project Financing in the Climate Change Area (July 1999 - June 2000)

Type of activity	**Number of activities**	GEF financing (in US$ millions)	Co-financing (in US$ millions)	Total financin (in US$ millio
Project preparation	16	4.23	2.36	6.59
Enabling activities	18	8.34	0.69	9.03
Medium/Full projects	27	186.89	1221.84	1408.73
Total	**61**	**199.46**	**1224.89**	**1424.35**

5. As indicated in Table 1, total project financing for climate change activities during t reporting period exceeded US$1,424 million, of which GEF provided US$199 million in gra financing. Approximately US$1,225 million was leveraged in co-financing for the proje activities from the Implementing Agencies, bilateral agencies, recipient countries, and the priva sector.

6. Since the establishment of the GEF as a pilot program in 1991, a total of US$ 7.1 billi has been allocated to climate change activities. Of this sum, approximately US$1.2 billion w provided in grants from the GEF Trust Fund. An additional US$5.9 billion was contribut through co-financing. A complete listing of GEF project activities in the climate change area contained in the June 2000 *Operational Report on GEF Programs*, which is available to the six session of the Conference of the Parties. A synthesis of the different projects und implementation in the area of climate change is included in Annex B to this report. Of the U 1.2 billion cited above, approximately US$1,125 million was for projects in non-Annex countries, while US$65 million was allocated to Annex I countries undergoing the process transition to a market economy. When the GEF provides assistance to the latter, it ensures that

such assistance is fully consistent with the guidance provided by the Conference of the Parties to the UNFCCC.[3]

7. Often, as a first step in project development, the GEF provides financing through its Project Preparation and Development Facility to assist recipient countries to develop a project concept into a project proposal. Table 2 lists 15 GEF project preparation activities approved during the reporting period.

Table 2: Project Preparation Activities*
(July 1999 - June 2000)

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Global	Solar and Wind Energy Resource Assessment	0.30	0.40
Global	Assessments of Impacts of and Adaptation to Climate Change in Multiple Regions and Sectors in Coordination with the IPCC	0.35	0.65
Chad	Gas Flaring Reduction Project	0.29	0.37
China	Strategic Partnership to Support GOC Renewable Energy Program	0.35	0.89
Colombia	Industrial Co-generation in the Colombian Sugar Sector: Introducing and Applying an ESCO Approach	0.19	0.29
Djibouti	Assal Geothermal Power Plant	0.29	0.58
El Salvador	Electrification Based on Renewable Energy Resources	0.23	0.32
Georgia	Removing Barriers to the Development of Small Hydropower Sector for the Mitigation of GHG Emissions	0.20	0.38
Honduras	Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs	0.31	0.50
Mauritania	Sustainable Energy Management Program	0.35	0.39
Mozambique	Rural energy Development	0.28	0.28
Namibia	Barrier Removal to the Development of Commercially, Institutionally and Technically Sustainable Energy Services	0.10	0.12
Paraguay	Decentralized Rural Electrification Based on Renewable Energy	0.11	0.22
Philippines	Capacity Building to Remove Barriers to Renewable Energy	0.31	0.41
Romania**	Energy Efficiency Project	0.35	0.39

[3] See page 31, *Global Environment Facility, Operational Strategy.*

Russian Federation**	Mutnovsky Geothermal Project	0.22	0.40
Total		**4.23**	**6.59**

* excludes PDF A and PDF C Projects
**Annex I countries.

8. Eighteen enabling activity projects covering 25 non-Annex I countries have been approved during the reporting period (see Table 3), including several projects addressing priority capacity building needs identified by decision 2/CP.4 (FCCC/CP/1998/16/Add.1). Please refer to paragraph 15 on additional funding to address priority capacity building needs.

Table 3: Enabling Activities
(July 1999 - June 2000)

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Regional (Antigua & Barbuda, Barbados, Belize, Grenada, Guyana, Jamaica, St. Lucia, Suriname, Trinidad & Tobago)	Building Capacity for Conducting Vulnerability and Adaptation Assessments in the Caribbean Region	0.12	0.12
Antigua and Barbuda	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
Azerbaijan	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
Bolivia	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
Chad	Preparation of the First National Communication in Response to the Provision of the UNFCCC	0.10	0.10
China	Enabling China to Prepare its Initial National Communication to UNFCCC	3.60	3.84
Egypt	Additional Financing for Capacity Building in Priority Areas	0.05	0.05
El Salvador	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
Georgia	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
India	Enabling Activity for the Preparation of India's Initial Communication to the UNFCCC	2.00	2.11
Malta	Enabling the Republic of Malta to Prepare its First National Communication in Response to its Commitments to the UNFCCC	0.27	0.27
Morocco:	Elaboration of a National Climate Change Strategy and Action Plan	0.14	0.14

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Sudan	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
Tajikistan	Enabling the Republic of Tajikistan to Prepare its First National Communication in Response to its Commitment to the UNFCCC	0.33	0.33
Tonga	Enabling Activities to Prepare its first National Communication in Response to its Obligations under the UNFCCC	0.33	0.38
Uzbekistan	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
Uruguay	Uruguay's Second National Communication to the UNFCCC: Programs of General Measures and Voluntary GHG Emissions Reduction	0.60	0.89
Yemen	Additional Financing for Capacity Building in Priority Areas	0.10	0.10
Total		**8.34**	**9.03**

9. Table 4 lists medium sized projects approved by the GEF CEO and full climate change projects approved by the GEF Council during the reporting period.

Table 4: Medium sized and Full Projects*
(July 1999-June 2000)

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Global	Fuel Cell Bus and Distributed Power Generation Market Prospects and Intervention Strategy Options	0.69	0.92
Regional (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama)	The Creation and Strengthening of the Capacity for Sustainable Renewable Energy Development in Central America	0.75	1.55
Regional (Bulgaria**, Czech Republic**, Estonia**, Hungary**, Latvia**, Lithuania**, Poland**, Slovakia**)	Initiating Early Phaseout of Methyl Bromide through Awareness Raising, Policy Development and Demonstration/Training Activities	0.66	0.70

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Regional (Lebanon, Palestinian Authority)	Capacity Building for the Adoption and Application of Energy Codes for Buildings	0.99	1.25
Brazil	Hydrogen Fuel Cell Buses for Urban Transport	12.60	21.77
China	Second Beijing Environment Project	25.00	437.00
Cuba	Cogeneration of Electricity and Steam Using Sugar Bagasse and Trash	12.52	85.75
Cuba	Producing Energy Efficient Home Refrigerators without Making Use of Ozone Depleting Substances[4]	0.75	7.70
Egypt	Introduction of Viable Electric and Hybrid-Electric Bus Technology	0.75	1.71
Guatemala	Renewable Energy-based Small Enterprise Development in the Quiche Region	0.41	0.78
Guinea	Rural Energy	2.00	10.00
Hungary**	Szombathely CHP/Biomass Project	2.50	28.00
India	Biomass Energy for Rural India	4.21	8.82
Indonesia	West Java/Jakarta Environmental Management Project	10.00	27.00
Kazakhstan	Wind Power Market Development Initiative	2.90	7.74
Mexico	Hybrid Solar Thermal Power Plant	49.35	178.00
Mexico	Methane Capture and Use (Landfill Demonstration) Project	6.53	23.15
Mongolia	Commercialization of Super Insulated Building Technology	0.76	1.80
Philippines	Marikina Bikeways Project Component – Metro Manila Urban Transport Integration Project	1.88	2.06
Philippines	Palawan New and Renewable Energy and Livelihood Support Project	0.75	2.55
Poland**	Krakow Energy Efficiency project	11.00	99.00
South Africa	Solar Water Heaters (SWHs) for Low-income Housing in Peri-urban Areas	0.73	5.43
South Africa	Concentrating Solar Power for Africa (CSP-Africa)	0.23	0.41
Thailand	Removal of Barriers to Biomass Power Generation and Co-generation	6.83	73.22
The Former Republic of Macedonia	Mini-hydropower Project	0.75	3.31

[4] This project will reduce greenhouse gases emissions in Cuba by removing barriers to the production of energy efficiency home refrigerators that do not make use of ozone depletion substances.

COUNTRY	PROJECT NAME	GEF FINANCING (IN US$ MILLIONS)	TOTAL FINANCING (IN US$ MILLIONS)
Uganda	Rural Energy for Development	30.35	375.00
Uruguay	Landfill Methane Recovery Demonstration Project	1.00	4.11
Total		**186.89**	**1408.73**

* Please see the *Operational Report on the GEF Programs, June 2000*, for more detailed project information. The co-financing details of individual projects can be found by accessing the work program on the GEF Website. To determine the appropriate work program, refer to the column marked "WP Entry" in the *Operational Report on the GEF Program*.
** Annex I countries

III. Implementation of Convention Guidance

10. Guidance to the financial mechanism concerning policies, program priorities, and eligibility criteria is contained in:

(a) Decision 11/CP.1 (FCCC/CP.1995/7/Add.1) *Initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism;*

(b) Decision 12/CP.1 (FCCC/CP/1995/7/Add.1) *Report of the Global Environment Facility to the Conference of the Parties on the development of an operational strategy and on initial activities in the area of climate change;*

(c) Decision 10/CP.2 (FCCC/CP/1996/15/Add.1) *Communications from the Parties not included in Annex I to the Convention: guidelines, facilitation and process for consideration;*

(d) Decision 11/CP.2 (FCCC/CP/1996/15/Add.1) *Guidance to the Global Environment Facility*; and

(e) Decision 2/CP.4 (FCCC/CP/1998/16/Add.1) *Additional guidance to the operating entity of the financial mechanism.*

11. The GEF has reported in its previous reports to the Conference of the Parties (see Annex A) on steps it has taken to implement the guidance contained in the above mentioned decisions. The following GEF activities undertaken during this reporting period are responsive to the guidance of the Conference of the Parties, and in particular demonstrate initial steps to respond to the guidance of the fifth session of the Conference of the Parties. (see below).

Second national communication and capacity building in priority areas

12. The Conference of the Parties at its fifth session adopted two related decisions: Decision 8/CP.5 *Financing of Second Communications to the UN Framework Convention on Climate Change*, and Decision 10/CP.5 *Capacity-building in developing countries (non-Annex I Parties).*

Decision 8/CP.5 of the fifth session of the Conference of the Parties provided:

"1. (c) That a process of reviewing the guidelines for the preparation of national communications shall be initiated with the aim of improving them by the seventh session of the Conference of the Parties, taking into account information on the use of the guidelines contained in the compilation and synthesis report comprising a representative and meaningful number of national communications from non-Annex I Parties;

(d) That all Parties that have submitted their initial national communications before the adoption of revised guidelines for national communications, and wish to start the preparation of their second national communications before the seventh session of the Conference of the Parties, may do so using the initial guidelines; that the Global Environment Facility (GEF) shall provide funding for the preparation of the second national communications of such Parties, following the guidance to the GEF set out in decisions 11/CP.2 and 2/CP.4; and that Parties which start to prepare their second national communications after adoption of the revised guidelines shall use the revised guidelines;"

13. This decision makes clear that a Party that has submitted its initial national communication may decide:

(a) to begin activities for the preparation of its second national communication using the existing guidelines for the preparation of initial national communications contained in the annex to decision 10/CP.2; or

(b) to wait until revised guidelines for the preparation of national communications have been approved by the time of the seventh session of the Conference of the Parties.

14. Decision 8/CP.5 requests the GEF to provide funding for the preparation of second national communications to Parties wishing to prepare the second national communications. The GEF has fully implemented the decision of the Conference of the Parties by making available financial resources to any eligible Party seeking assistance to prepare its second national communication prior to the revision of the guidelines. In so doing, the GEF has endeavored to respond as expeditiously and flexibly as possible, consistent with the guidance of the Conference of the Parties. During the reporting period, a proposal for the second national communication in Uruguay was approved by the GEF Council in May 2000.

15. Following the decisions of the fourth session of the Conference of the Parties and the additional funding for expedited enabling activities approved by Council in May 1999, the operational guidelines for climate change enabling activities have been extended to allow eligible countries to address priority concerns with GEF assistance. Additional funds to the extent of $100,000 are available through the expedited procedure pathway for countries to address priority

capacity building needs identified in decision 2/CP.4[5]. A Party may choose to access these funds if it would like to undertake capacity building activities identified in decision 2/CP.4 while waiting for revised guidelines for the preparation of second national communications. As of June 30, 2000, 9 projects[6] to address capacity building in priority areas have been approved.

Capacity Development Initiative

16. The Conference of the Parties at its fifth session approved Decision 10/CP.5[7], *Capacity-building in developing countries (non-Annex I Parties)*. This decision recognized the important role of the GEF in the area of capacity building. It invited the Convention Secretariat to prepare documents for further consideration by the subsidiary bodies in close coordination with, and seeking the assistance of, the GEF and other relevant organizations. The decision also expressed the interest of the Parties in receiving further information on the GEF review of its enabling activities, on its country dialogue workshops and on its Capacity Development Initiative.

17. In its report to the fifth session of the Conference of the Parties[8], the GEF introduced the Capacity Development Initiative (CDI). The first phase of the CDI was to undertake a comprehensive assessment of capacity development needs. Assessment of country needs has been undertaken on a regional basis in Africa, Asia/Pacific, Eastern Europe and Central Asia, and Latin America and the Caribbean by teams of regional experts in climate change, biodiversity and land degradation. A separate report was also prepared on the capacity development needs of Small Island developing states. Regional workshops to review the experts' reports were organized in the regions[9]. The reports were made available to the 13th session of the Subsidiary Body for the Implementation in September, 2000.

18. In view of the considerable work on capacity building already undertaken , the CDI has also prepared a number of other studies, including assessments of the capacity development activities through GEF projects, and an assessment of relevant capacity development work of other multilateral and bilateral institutions.

19. A comprehensive report on the CDI was submitted to the 12th session of the SBI in June, 2000. As requested by the Parties, this report also included information on the GEF review of

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[5] Priorities for capacity building identified by decision 2/CP.4 in the context of its second national communications include capacity building to assist in: (i) identification and submission of prioritized technology needs, (ii) participation in systematic observation networks, (iii) improvement of emission factors, (iv) assessment of technology needs and modalities to acquire and absorb them, (v) design, evaluation and hosting of projects.

[6] Projects were approved for Antigua and Barbuda, Azerbaijan, Bolivia, Egypt, El Salvador, Georgia, Sudan, Uzbekistan, and Yemen.

[7] See FCCC/CP/1999/6/Add.1.

[8] See paragraphs 15 and 16, Report of the Global Environment Facility to the Fifth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1999/3, September 29, 1999).

[9] The CDI regional workshops were organized for Africa in Cairo, Egypt, July 31 and August 1, 2000; for Asia-Pacific in Beijing, China, July 27 and 28, 2000; for Eastern Europe in Prague, Czech Republic, July 17 and 18,2000; and for Latin America in Rio de Janeiro, Brazil, July 31 and August 1, 2000. In addition, assistance was provided to the Alliance of Small Island States to organize a workshop in Apia, Samoa, July 28 and 29, 2000.

enabling activities and the country dialogue workshops. Several presentations were als organized on these issues to better inform delegates during the 12th and 13th sessions of the SBI

IV. HIGHLIGHTS OF OTHER RELEVANT ACTIVITIES

20. During the reporting period, the GEF has also undertaken the following activities which are of relevance to its climate change portfolio:

Renewable Energy Partnership

21. The GEF Secretariat and the World Bank Group have been developing a progressiv strategic partnership to help achieve their shared programmatic objectives[10]. The partnersh would aim to commit $200 million in GEF resources for incremental cost support for specif country programs while seeking $600 million in World Bank commitments (not necessari World Bank loans). The Bank has identified Uganda[11] as an initial partner under this initiativ which is intended to respond effectively to countries prepared to make long-term commitments promote renewable energy technologies.

Workshop on Operational Program on Transportation

22. On May 4-5, 2000, the GEF organized a workshop on strategies to implement its ne operational program on transportation. The workshop was held in Paris with the co-sponsorsh of the Fonds Francais pour l'Environnement Mondial (FFEM) and the French Agency for th Environment and Energy Management (ADEME). It brought together approximately 50 exper from diverse backgrounds including developing countries, GEF Implementing Agencies, region banks, and the private sector. The workshop addressed two primary strategies that underpin th operational program, commercialization of new technologies and "modal shift" strategies tha reduce reliance on cars and other relatively energy intensive means of transportation. To dat projects have been proposed to promote fuel cell buses, a technology approach, while projects ar also being developed on bikeways, improving urban transportation systems, and other les technology based approaches.

Country Dialogue Workshops

23. The GEF's country dialogue workshops have been designed to strengthen nation coordination, develop country capacity and promote awareness-building through direct dialogu with countries on the GEF and on national priorities for GEF assistance. In the period April June 2000, four country dialogue workshops took place in Egypt, South Africa, Uzbekistan an Vietnam.

24. The workshops initiated a national discussion on the GEF and exchanged views on ho the GEF may best respond to country-level needs. Great importance was given to the need for

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[10] See paragraph 24, *Report of the GEF to the fifth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change.*

[11] The project *Uganda Rural Energy for Development* was approved by the GEF Council in May 2000.

national coordination mechanism, open to a wide range of stakeholders including interested governmental, non-governmental and private sector parties. The workshops assisted in clarifying the roles and responsibilities of the national focal points. The focal points for the global environment conventions from Uzbekistan and Vietnam made presentations on their work related to the conventions at the workshops.

25. Regional coordination and active membership in a constituency were considered to be very important issues. Much of the work at a national level could usefully be discussed at a regional/constituency level to better understand "the over the border" effect of national measures. At the same time, it was concluded that coordination meetings to prepare policy input for the GEF Council meetings needed strengthening. In this context the Council decision to support focal points and Council Members in their coordinating role was appreciated.

Workshop on Good Practice in Country Level Coordination

26. At its May 1999 meeting, the Council approved a series of proposed activities to strengthen country level coordination. As one follow-up activity, the GEF Secretariat organized a workshop on Good Practices in Country Level Coordination in Washington, DC, on March 14 and 15, 2000. The workshop was attended by GEF focal points from China, India, Jordan, Latvia, Mauritius, Mexico, Peru, Poland, Senegal, South Africa and Vietnam[12]. Representatives of the Implementing Agencies and UNFCCC Secretariat also attended the meeting. The presentations by the focal points provided interesting information and insight on how these countries have structured their coordination mechanisms, what the strengths and weaknesses are, as well as the roles and responsibilities of different actors. Both country participants and representatives from the agencies believed this workshop was a very useful exercise in strengthening national coordination. The proceedings will be published as a means to disseminate good practice.

Heads of Agencies Meeting

27. A meeting of the GEF Heads of Agencies was held in March 2000 in New York. The meeting was attended by the heads of the three GEF Implementing Agencies (UNDP, UNEP, and the World Bank) and the CEO/Chairman of the GEF. The Heads of Agencies considered: driving for on-the-ground results, streamlining the processing of projects, and enhancing responsiveness to recipient countries. There was full support for added emphasis on ensuring quality implementation of, and achievement of results from, GEF actions. Resources for these efforts should come from a combination of freeing up internal staff capacity and additional resources for project supervision. The Heads of Agencies called on their staff to work closely with the GEF Secretariat towards the timely completion and implementation of the system. In addition, there was strong agreement on the need for further simplification and streamlining of project preparation and approval processes, as well as for enhanced responsiveness to recipient countries[13]

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[12] These countries were selected on the basis of information generated through the preparation of the *Survey of GEF Political and Operational Focal Points*, undertaken by Chemonics International (October 1998), and the *Study of GEF's Overall Performance* published prior to the first GEF Assembly (March 1998).

Scientific and Technical Advisory Panel of the GEF

28. The GEF Scientific and Technical Advisory Panel (STAP) organized a workshop entitled, *STAP Brainstorming on Power Sector Reform* in June 2000, in India. The objective of the workshop was to discuss the best ways and means to promote integration of global environmental concerns, including newly emerging instruments, into comprehensive power sector restructuring reform efforts, and to explore potential GEF roles in facilitating regulatory and institutional frameworks that address cleaner energy constraints. Participants shared knowledge and practical expertise on how power-sector restructuring efforts in a variety of contexts have led to incentives or disincentives for cleaner (low-carbon emission) energy generation/transmission/end-use alternatives.

V. GEF MONITORING AND EVALUATION ACTIVITIES

29. During the reporting period, the GEF published the *Project Performance Report 1999*[13] and a review of its support to initial national communications from non-Annex I countries in the area of climate change. In addition, the GEF has developed a set of indicators to measure performance of GEF Operational Programs

Project Performance Report 1999

30. This Project Performance Report presents the results of the 1999 GEF project implementation review. In addition, it draws on additional information and insights about the performance of GEF's programs from evaluations and other studies. This provides an assessment of important cross-cutting issues and lessons identified from implementation experience.

31 The review covered 135 projects that had been in implementation for at least a year as of June 30,1999. In general, the quality of reporting on projects for purposes of the review was better this year than last year, and focused more on objectives and results indicators. Cumulative disbursements for the entire GEF portfolio (including enabling activities and project development funds) increased during FY1999 to US$805 million. There were positive trends in terms of disbursement-to-commitment ratios and amounts disbursed during the year.

32. There were 45 climate change projects in the review (33 percent) representing a total of $316 million in GEF financing. Fifteen fell under Operational Program 6 (renewable energy) making up a third of the climate change projects reviewed. Projects in Asia and Africa were concentrated in this Operational Program, whereas the 10 projects in Operational Program 5 (energy efficiency) were predominately in Europe and Central Asia (ECA). Eleven projects included in the review were classified as "short term response measures". Eight are regarded as enabling activities that help countries prepare their national communications to the UNFCCC convention. Finally, one Operational Program 7 (energy technologies) project in Brazil--*Biomass Power Generation: Sugar Cane Bagasse and Trash*--was included in the review.

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[13] See GEF/C.15/Inf.10, *Conclusions of the GEF Heads of Agencies Meeting*.
[14] See the document from GEF home page: www.gefweb.org, Monitoring and Evaluation Program.

33. The Project Performance Report highlighted five cross-cutting conclusions of the 1999 performance review.

a. *Strategic context for GEF projects.* A consensus emerged from the evaluations that projects will achieve their objectives and be sustainable to the extent that GEF also addresses the broader socioeconomic and political context and enabling environment in which they take place. The emphasis on barrier removal and market transformation in the climate change portfolio reflect a strategic approach.

b. *Integration of development and global benefits.* Discussion during the review highlighted the importance of integrating GEF-supported activities with national development priorities and programs. The climate change discussion underlined the importance of combining both domestic and global benefits in this portfolio.

c. *Stakeholder involvement.* The involvement of key stakeholders is crucial to building commitment and ownership, and ultimately, to achieving and sustaining local, national, and global results. GEF's policies on public involvement have often provided a stimulus for greater stakeholder participation beyond the specific activities it has funded.

d. *Flexible, long-term approach.* This year's review echoed the main conclusion of the 1998 Project Performance Report-the need for an approach to address global environmental problems that is longer term and more flexible than current project instruments. In many cases, this requires a phased approach that sets firm performance benchmarks on which to base decisions about continued support.

e. *Moving to a greater focus on managing for results.* The review highlighted the need for GEF to move away from an "approvals culture" toward greater attention to the results of its programs

B. Review of the GEF Support to initial national communications from Non-Annex I Parties

34. At the request of the GEF Council, the Monitoring and Evaluation team of the GEF Secretariat initiated a review of climate change enabling activities in February 2000. This review was being undertaken by an inter-agency task force comprising staff from the UNDP, UNEP, the World Bank, and the GEF Secretariat, led by an independent consultant, Samir Amous, from Tunisia. As of June 30, 2000, the task force had collected information from a variety of sources, including visits to 12 countries, case studies on four additional countries, regional overviews on island states in the Pacific and the Caribbean, and views expressed by the Parties through the convention process. National and regional consultants worked with the task force during March – June 2000, in conducting country visit reviews, case studies, and regional overviews. The task force is preparing a report on the review, which will be submitted to the GEF Council for discussions at its meeting in November 2000. It is expected that the final report will be reviewed by the Council at its meeting in November 2000 and thereafter made available to the sixth session of the Conference of the Parties. The GEF will organize a briefing session to present the report to delegates to respond to questions.

C. Performance Indicators for GEF Climate Change Activities

35. During 1999-2000, the GEF Monitoring and Evaluation team, working with the Implementing Agencies and STAP, developed a set of indicators to measure performance of Operational Programs in the climate change area. These program-level indicators will be us measure and communicate progress toward strategic objectives. A working paper or proposed indicators will be published in September 2000.

Annex A

LIST OF REPORTS PREVIOUSLY SUBMITTED BY THE GEF COUNCIL TO THE CONFERENCE OF THE PARTIES TO THE UNFCCC

Report of the Global Environment Facility to the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the Restructured Global Environment Facility (A/AC.237/89, December 14, 1994)

Report of the Global Environment Facility to the Conference of the Parties on the Development of an Operational Strategy and on Initial Activities in the Field of Climate Change (FCCC/CP/1995/4, March 10, 1995)

Report of the Global Environment Facility to the Second Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1996/8, June 27, 1996)

Report of the Global Environment Facility to the Third Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1997/3, October 31, 1997)

Report of the Global Environment Facility to the Fourth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1998/12, September 29, 1998)

Report of the Global Environment Facility to the Fifth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/1999/3, September 29, 1999)

Annex B

SYNTHESIS OF PROJECTS UNDER IMPLEMENTATION IN THE AREA OF CLIMATE CHANGE[15]

1. The GEF climate change portfolio, including the pilot phase (1991-94), has a total of 272 projects. The climate change portfolio also comprises 69 project concepts and PDF activities currently included in the project pipeline.

Strategic Portfolio Development Considerations

2 GEF assistance in the area of climate change is largely focused on specific technologies and individual barriers for their application in particular countries, recognizing that:

(a) key market development barriers tend to be common to several -if not most- cleaner energy alternatives;
(b) energy sector reform and related governance frameworks, as well as mainstream development programs may have a more significant impact on technology markets than individual technology promotion projects;
(c) removal of scale and risk barriers hindering the commercialization of promising technology alternatives is not achievable solely by addition of national technology demonstrations, but requires a global market perspective and strategic alliances of key civil society, government, industry and venture capital partners; and
(d) technology transfer and trade networks could be an effective means to facilitate public private partnerships and strategic market development approaches;

3. The GEF Secretariat, together with countries, the implementing and executing agencies and STAP, is exploring a variety of innovative approaches to address cross-cutting barriers holistically in a broader sector reform and market development context.

4. The June 2000 STAP workshop on options to promote integration of clean energy objectives in energy sector restructuring efforts has identified a number of important issues and opportunities in this regard.

5. Taking into account that the technology demonstration and capacity activities of Operational Program #7 (Reducing the costs of low GHG technologies) alone are not likely to produce necessary cost buy down impact, the GEF, together with STAP and key industry stakeholders, has taken steps to assess the commercialization and carbon abatement potentials for various technologies from a global market perspective, and is currently exploring options to facilitate strategic market development alliances. Each alliance would be led by the private sector and focus on the mobilization of private venture capital for emerging technology markets.

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[15] This text is based on the *Project Status Review* for fiscal year 2000 being prepared by the GEF Secretariat and the Implementing Agencies.

6. Perceived investment risks related to the performance of cleaner energy alternatives, which constitute key barriers to commercial investments in win/win technologies covered by Operational Programs #5 (Energy conservation and efficiency) and #6 (Renewable energy) activities, are increasingly addressed with contingent financing modalities (loans, guarantees, etc.). The International Finance Corporation's umbrella projects and funds, such as Renewable Energy and Energy Efficiency Fund (REEF), Hungary Energy Efficiency Facility (HEEF), Photovoltaic Market Transformation Initiative (PVMTI) and Small and Medium-Size Enterprise (SME) are already offering a modest experience with these financial instruments. The World Bank and UNDP have also undertaken special efforts to find ways and means to integrate contingent financing instruments in their toolkits.

Program Specific Considerations

7. Cumulatively, the largest portfolio in terms of full projects has been Operational Program #6. The next largest have been Operational Program #5 and Operational Program #7.

Operational Program #5: Removing Barriers to Energy Conservation and Energy Efficiency

8. In FY00, $36 million was allocated for Operational Program #5. There is an imbalance in the type of projects financed: currently generic demand-side management (DSM) programs account for two thirds of the portfolio, and 14 projects with a GEF commitment of $100 million incorporate some approach based on the use of energy service companies (ESCOs) as a delivery mechanism.

Operational Program #6: Promoting Renewable Energy

9. This program has promoted a wide variety of renewable energy technologies ranging from low-temperature solar thermal heating; biomass; geothermal; wind, hydro, and photovoltaic power for rural electricity supply; and grid-connected wind farms and photovoltaics. Commitments in fiscal year 2000 were $58.76 million.

10. For the GEF to achieve the programmatic objectives of the GEF Operational Strategy in climate change, it is crucial that international institutions make fundamental commitments to renewable energy technologies (RETs) within their regular work programs. The GEF Secretariat and the World Bank Group have been developing a progressive strategic partnership to help achieve their shared programmatic objectives. The partnership would aim to commit $200 million in GEF resources for incremental cost support for specific country programs while seeking $600 million in World Bank commitments. The WB-GEF Renewable Energy Partnership provides a promising basis for further portfolio growth and increased impact. A first partnership intervention in Uganda was approved by Council in April 2000. Further submissions are expected later this year.

11. Rural photovoltaic (PV) projects continue to dominate the portfolio. About fifty per cent of all PV projects are exclusively focused on off-grid applications. The emphasis on PV has even been amplified in FY 99. Seven out of eight projects that have been added to portfolio are focussing on rural PV applications.

12. Twenty per cent of the GEF Operational Program #6 interventions are generic barrier removal approaches primarily focusing on regulatory and capacity constraints for renewable energy at the governmental level. The remaining portfolio is split into solar, water, wind, biomass, geothermal, methane recovery and geothermal projects.

Operational Program #7: Reducing the Long-Run Costs of Low GHG-Emitting Technologies

13. The allocation to Operational Program #7 in FY 00 was $49.35 million. Projects have been approved for three technology-applications in this program --distributed grid-connected PV power, biomass gasification, and solar-thermal power generation. Some technologies identified as promising in the program remain unaddressed, including: advanced biomass to liquid fuels, large-scale grid-connected wind power, fuel cells for distributed combined heat and power (CHP applications, and advanced fossil-fuel gasification and power technologies.

14. Based on existing projects, there is evidence of considerable potential for strategic marke development alliances in the biomass gasification (besides CSP, Fuel Cell and PV activities already described in the cross cutting section). Projects for advanced conversion of biomass to liquid fuels would move to Operational Program #11, Sustainable Transportation.

15. In FY 2000 STAP has conducted a workshop to review Ocean Thermal Energy Conversion (OTEC) as a technology of potential GEF programming interest in Operational Program #7. STAP proposed a phased approach to OTEC assessment and development, if considered appropriate, beginning with a small scale demonstration pilot associated with further targeted research.

Short-Term Response Measures

16. The pipeline for 2000 indicates decreased demand for funding for these projects compared to 1999. Consistent with the Operational Strategy, the GEF continues to emphasize th importance of the operational programs relative to short-term response measures projects in the climate change focal area. The World Bank's Prototype Carbon Fund, which is now operational offers an alternative source of funding for short term projects.

17. One challenge has been to demonstrate, consistent with the requirements of the Operational Strategy, that proposals were the country's "highest priority for funding," in the absence of a National Communication to the FCCC. Now that some such reports have been submitted, this may be easier. The repetition of projects of a similar character (e.g., landfill gas projects) has also led to the need for greater emphasis on monitoring, learning from experience, and project design based on explicit replication of successful GEF experience.

Enabling Activities

18. Eighteen new enabling activities in climate change were approved during fiscal year 2000, for a total of 142 projects and a total cumulative GEF commitment of $83.73 million. Most eligible countries have now received financial assistance to prepare their first national communications, and GEF is also working, through UNDP and UNEP, to provide the necessary technical support by means of its national communications support project.

19. During fiscal year 1999, the Council authorized an additional $100,000 per country to help maintain and enhance national capacity for climate change activities relating to the objectives of the Convention. These include: capacity building for assessing technology needs; improving local emission factors; capacity building for access to systematic observational networks; preparing a national program to address climate change; conducting national activities for public awareness; designing, evaluating, and managing projects; and facilitating access to information. Capacity building is also addressed through the portfolio of GEF projects. The broader context for capacity building activities related to protecting the global environment is under consideration through the Capacity Development Initiative.

Operational Program #11: Sustainable Transportation

20. The program was approved by Council in FY 99. Fuel cell bus activities formerly supported under OP#7 have been moved to this new program. An additional intervention to promote the use of bicycles as an emission free transportation mode for city transportation in Manila was approved by Council in Spring 2000. As of June 30, 2000, the GEF project pipeline as present does not include additional Operational Program #11 activities. Further outreach efforts are being undertaken to facilitate country driven identification of project opportunities.

21. A special workshop sponsored by the French Government was held in Paris to review specific operational program potentials. Recommendations were made concerning both: strategic options to facilitate the commercialization of newly emerging clean transportation technologies as well as best ways and means to promote sustainable transport planning.

22. Furthermore the GEF has attended a World Bank workshop on bicycle use as a clean transportation options for urban centers in Africa. Evidence from OECD countries has been gathered that supports that assumption that bicycle use can effectively contribute to emission abatement.

Operational Program #12: Integrated Ecosystem Management

23. Operational Program #12 provides a comprehensive framework to support cross-sectoral and cross focal area projects that address ecosystem management in a way that optimizes ecosystem services – ecological, social, and economic – within the context of sustainable development. These services encompass biodiversity, carbon sequestration, land and water conservation, food production, sustainable livelihoods, and the production of marketable goods and services. Operational Program #12 covers issues across sectors, and political or administrative boundaries within the context of sustainable development[16]. Currently the GEF project pipeline includes 13 project proposals in Operational Program #12.

Private Sector Involvement

24. In May 1999, the Secretariat submitted to the Council *Engaging the Private Sector in GEF Activities* (GEF/C.13/Inf.5), which describes how GEF plans to pursue greater collaboration with the private sector, particularly in climate change projects. The paper describes several

[16] See www.gefweb.org for a copy.

barriers to more effective private sector participation in GEF activities, most notably a general lack of awareness about GEF in the business community and the perception that the project cycle is incompatible with private sector needs. The Council encouraged the Secretariat and Implementing Agencies to incorporate in project preparation the approaches described in the document including alternative feasibility studies, contingent financing, and a range of non-grant modalities.

25. The need for increasing awareness of GEF in the private sector in developing countries is one objective of the Country Dialogue Workshops. Additional targeted outreach efforts, including presentations to business, engineering, and technical societies, are also being planned for this purpose in cooperation with STAP.

Promotion of Technology Transfer and Capacity Building

26. GEF's efforts to promote technology transfer and market development to enable greater access to energy-efficient and renewable energy technologies are described in an information note presented during the 12th session of SBSTA (Bonn, June 2000)[17]. The paper was presented in an expanded form at the fifth session of the Conference of the Parties[18]. This review indicates that technology transfer and capacity building are central elements of GEF climate projects and include a wide range of approaches commensurate with the diversity of technologies, needs, and circumstances.

Public Involvement

27. The *Public Involvement in GEF-Financed Projects* provides for involvement, as appropriate, of various types of stakeholder groups in climate change projects. However, because of the technical nature of most energy related projects, stakeholder involvement is often project specific and less rigorous compared to projects implemented at the community level. At the same time, most projects do provide for information dissemination by including activities that ensure disclosure of project information to affected groups. There are also consultations with governments, non-governmental groups, and the private sector, including conduct of stakeholder meetings and workshops.

28. Additionally, some projects form multi-stakeholder committees or allow representation of non-governmental groups in the project's steering or management committee. For example, multi-sectoral committees were set up in the following projects: Philippines Leyte-Luzon Geothermal, India Small Hydel, and Sri Lank Energy Efficiency. In some cases, such as projects introducing renewable energy systems in Sri Lanka, Peru, Cape Verde, Uganda, Ghana, Philippines, and Bolivia, village councils were created to assist the national project steering committee, focused specifically on rural energy delivery.

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[17] FCCC/SBSTA/1999/MISC.5, Paper No. 10.

[18] Eric Martinot and Omar McDoom, *Promoting Energy Efficiency and Renewable Energy: GEF Climate Change Projects and Impacts* (October 1999).

29. Focusing on beneficiary populations is important especially in rural energy projects. In China, a project[19] operates in over 5 million households for biogas digesters. A Lebanon project[20] is anticipated to benefit some 3.75 million people through expanded Energy Service Company (ESCO) operations and awareness raising on the uses of renewable energy. More than 250 communities will benefit from PV systems in Peru[21].

30. Because decentralized rural energy schemes have the potential of reaching even the most remote areas, they can make direct contribution to poverty alleviation. By providing power to health centers, schools, and other social infrastructure, these projects have one of the largest impacts on reducing poverty, especially in cases where electricity operates equipment for community or household industries. A Malawi project[22], for example, makes use of women's associations for micro loans from its District Development Committees because of their long history of low default rates. Local groups are also the best facilitators of bulk energy purchases through community banks.

[19] China, Renewable Energy Development project.
[20] Lebanon, Barrier Removal for Cross Sectoral Energy Efficiency.
[21] Peru, Photovoltaic-Based Rural Electrification in Peru.
[22] Malawi, Barrier Removal to Malawi Renewable Energy Programme.